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Programme and Budget Committee

Resumed seventh session (continued)
Vienna, 23 August 1991
Item 10 of the agenda

PROGRAMME AND BUDGETS, 1992-1993

Computerization programme of UNIDO

Progress report by the Director-General

Addendum

Summary

Describes the outcome of negotiations with the main supplier and the potential reductions in the cost of the electronic data-processing programme. Indicates in summary terms the impact on the rest of the programme and budget proposed for the biennium 1992-1993 and suggests a revised draft conclusion for consideration by the Programme and Budget Committee and subsequent adoption by the Industrial Development Board.

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Introduction

1. In keeping with paragraphs (h) and (i) of decision IDB.8/Dec.35 and as indicated in paragraph 3 of document IDB.8/50-PBC.7/19, the Secretariat carried out further negotiations with the main supplier.

2. The basis for those negotiations was the revised electronic data-processing (EDP) programme as proposed by the consultants and subsequently recommended by the Project Liaison Committee which stands as a fully integrated and balanced programme constituting a coherent and inseparable whole. The essential elements of the programme are presented in appendix V to the consultants' draft final report contained in PBC.7/CRP.13/Add.1. Furthermore, as pointed out in appendix VI to the draft final report of the consultants, the revised EDP programme as presented in document IDB.8/8/Rev.1 and Rev.2 contains the key actions initially recommended in the report of the independent group of experts (IDB.8/6-PBC.7/8).

I. POTENTIAL REDUCTIONS

3. In the consultants' draft final report (documents PBC.7/CRP.13, Add.1 and Add.2), the additional costs related to the mainframe (hardware, software, operation and maintenance, including facilities management) in the EDP programme for the biennium 1992-1993 were estimated at $5.8 million. Negotiations with the main supplier have demonstrated that those estimates can be further reduced by $1.13 million (i.e. $5.80 million minus $4.67 million) through the modification of existing agreements pertaining to the mainframe hardware and software, as well as its operation and maintenance which includes facilities management. Set against the cost of current contractual obligations, the full extent of the potential reductions in the biennium 1992-1993 can be seen to be of the order of $2.5 million (see table below). As recommended by the experts in their report (IDB.8/6-PBC.7/8) and by the consultants in appendix V to their draft final report (PBC.7/CRP.13/Add.1), some of these benefits must be retained for software portfolio renewal so as to ensure operational stability and the cost-effectiveness of the programme.

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Mainframe costs of EDP programme: 1992-1993

(In millions of dollars at 1 US$ = AS 12.90)

	Current contractual obligations	Revised programme a/ based on consultants' proposals	Negotiated cost	Potential reductions (1 - 3)
	(1)	(2)	(3)	(4)
Mainframe				
Hardware	2.77	1.85	1.58	1.19
Software	1.65	1.67	0.98	0.67
Operation and maintenance	2.76	2.28	2.11	0.65
Total	7.18	5.80	4.67	2.51

a/ Contained in document IDB.8/8/Rev.1-PBC.7/10/Rev.1.

4. The modifications proposed are consistent with the consultants' recommendations and the conclusions reached by the independent experts. They will enable UNIDO to safeguard the technical soundness and continued viability of the revised programme, while ensuring increased cost-effectiveness.

5. The proposed modifications described above and the associated cost reductions can only be realized and confirmed to the main supplier once they have been agreed to by Member States. These modifications would enter into effect through a contract amendment process that has to be completed by 31 August 1991.

6. The possibility of realizing similar benefits for the biennium 1994-1995 also exists through the process of competitive bidding and negotiation for such items and services as facilities management, operation and maintenance of mainframe, office automation and network. Appendix V to the consultants' draft final report (PBC.7/CRP.13/Add.1) forecasts prospective savings of the order of $6 million for the period 1992-1995. That amount would include the figure of $2.5 million mentioned in paragraph 3 above. Furthermore, for the biennium 1994-1995, some of those benefits will have to be retained so as to implement the EDP programme recommended by the consultants and experts and endorsed by the Project Liaison Committee. However, realization of the prospective savings is contingent upon negotiations with other suppliers that are in process at present and relate to other elements of the EDP programme. These latter negotiations can only be effectively completed once the EDP programme has been approved by Member States.

II. RESULTANT CHANGES IN THE EDP PROGRAMME

7. In the event that Member States concur with the contract amendment process, the resultant changes in the paragraphs in IDB.8/8/Rev.2 describing the proposed EDP programme would be as contained in annex I to the present document.

III. OTHER CHANGES

8. If the proposed modifications are accepted, the programme and budget estimates for the biennium 1992-1993 will have to change as a result of the changes in the EDP programme indicated above.

9. The total gross appropriations will have to be reduced in both the regular (RB) and operational (OB) budgets. It is proposed to retain the same ratio of expenditures as in the original proposal between the regular and operational budget portion of the EDP non-staff costs, i.e. 68 per cent (RB) and 32 per cent (OB). Thus, the regular budget will be reduced by $866,400 at 1992-1993 rates ($771,100 + $43,400 inflation related to EDP reductions plus $49,200 + $2,700 inflation related to a corresponding adjustment to the regular programme of technical cooperation) and the operational budget by $379,000 at 1992-1993 rates ($358,900 + $20,100 inflation related to EDP reductions). Compared to the biennium 1990-1991, this represents negative growth of 0.5 per cent in the regular budget. This will also entail adjustments to the level of Member States' assessed contributions, as well as to the resource requirements of all major programmes.

10. With the adoption of the revised EDP programme recommended by the consultants and experts and endorsed by the Project Liaison Committee, firm assurances can be given that no extraordinary expenditures will be incurred beyond those authorized. Furthermore, the Secretariat will keep Member States fully apprised of the implementation of the EDP programme through periodic briefings and information notes.

IV. REVISED DRAFT CONCLUSION

11. Should the Programme and Budget Committee accept the modifications, it may wish to consider the revised draft conclusion contained in annex II to the present document on the understanding that the Secretariat would make the necessary consequential changes in the revised budget for submission to the General Conference.

Annex I

REVISED DESCRIPTION OF PROPOSED EDP PROGRAMME

(Paragraph numbers refer to those in IDB.8/8/Rev.2)

121. Pursuant to the request of the Board contained in IDB.8/Dec.35, paragraph (e), EDP costs have been consolidated by including training ($286,500) and supplies and materials ($479,100) which were previously presented under subprogrammes 811 and 845. The resource requirements for the EDP programme, including the staff costs of the Management Information Services Division, for the 1992-1993 biennium are estimated at $12,322,800. These requirements are presented net of income in the summary table below:

EDP net resource requirements, 1990-1991 and 1992-1993

(In thousands of dollars at 1991 rates)

Major object of expenditure	1990-1991 RB	1990-1991 OB	1990-1991 TOTAL	1992-1993 RB	1992-1993 OB	1992-1993 TOTAL
Staff costs	1,970.0	877.2	2,847.2	1,970.0	2,007.8	3,977.8
EDP non-staff costs	3,795.2	374.0	4,169.2	5,694.5	2,650.5	8,345.0
Total expenditures	5,765.2	1,251.2	7,016.4	7,664.5	4,658.3	12,322.8

122. A listing of resource requirements for the EDP programme for the biennium 1992-1993 are shown below, together with a projection of comparable requirements for the biennium 1994-1995:

Resource requirements - EDP programme

(In thousands of dollars at 1991 rates)

	1992-1993		1994-1995	
A. Established posts (ongoing) a/	2,847.2		2,847.2	
B. Conversion of ad hoc posts				
4 P-3 posts	626.4		626.4	
1 P-2 post	121.8		243.6	
4 GS posts	382.4		478.0	
Subtotal		1,130.6		1,348.0
C. EDP non-staff costs				
Mainframe				
Hardware	1,580.0		2,870.0	
Software	980.0		1,820.0	
Operation and maintenance	2,110.0		2,530.0	
		4,670.0		7,220.0
Office Automation				
Hardware	920.0		540.0	
Software	150.0		120.0	
Maintenance	640.0		470.0	
		1,710.0		1,130.0
Other				
Supplies and materials	479.1		470.0	
Network	410.0		520.0	
External computer costs (ICC)	70.0		70.0	
Training	286.5		280.0	
Consultancy support b/	829.4		260.0	
Software development	230.0		-	
Income	(340.0)		(340.0)	
		1,965.0		1,260.0
Subtotal		8,345.0		9,610.0
D. TOTAL		12,322.8		13,805.2

a/ In the interests of transparency, staff assigned to the end-user Departments as user coordinators in line with the recommendations of the consultants are costed as follows: 1 P-4 ($187,200), 2 P-3 ($323,000) and 1 G-7 ($102,100). The staff so assigned are mainly performing duties related to the work of their respective Departments/Divisions, hence their non-inclusion in the overall resource requirements of the EDP programme. Furthermore, a D-1 level post costed at $226,800 will be redeployed to the MIS Division at a later juncture.

b/ An amount of $109,400 included under consultancy support may be required for short-term staffing in 1992-1993 as envisaged by the consultants for specific technical assignments in support of systems maintenance and development.

Cost distribution

123. As the EDP programme provides essential services to all parts of the Organization, its costs and benefits are shared accordingly by the end users. Using the criteria of mainframe computer time usage and distribution of desktop equipment, the overall non-staff costs of the EDP programme for the biennium are apportioned among the various major programmes. All EDP-related staff costs are being shown under programme 850, Management Information Services Division, until such time as a viable chargeback system covering staff resources is adopted. The development of that chargeback system will draw on the experience of other agencies in the United Nations system, as well as on the comments submitted by the team of external auditors. New object of expenditure codes specifically designed for the EDP programme have been introduced to facilitate understanding and analysis of the various cost components while offering a global view of the programme's overall resource requirements. The distribution of the EDP-related non-staff costs among the major end users is shown below. The share of Administration in total EDP costs includes significant technical co-operation support activities such as Financial Management Technical Co-operation, Payments and Accounts, and Purchase and Contracts.

Distribution of EDP - non-staff costs

Major programme	Share (per cent)	Amount (dollars)
General Management (200)	0.8	67,200
Programme and Project Development (300)	19.4	1,629,300
Industrial Promotion, Consultations and Technology (400)	6.3	529,100
Industrial Operations (500)	22.0	1,847,700
External Relations, Public Information, Languages and Documentation Services (700)	8.0	671,900
Administration (800)	43.5	3,653,300
Subtotal	100.0	8,398,500
Non-shared Administration		
Training		286,500
Income		(340,000)
TOTAL		8,345,000

Annex II

REVISED DRAFT CONCLUSION

The Programme and Budget Committee, having considered the revised proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2-PBC.7/10/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1), recommends to the Industrial Development Board the adoption of the following draft decision:

The Industrial Development Board:

(a) Examined the proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1) together with the recommendations of the Programme and Budget Committee (PBC conclusion ....);

(b) Decides to adopt for submission to the General Conference for consideration and approval the proposed programme of work and corresponding estimates for the activities to be financed from the regular and operational budgets, 1992-1993 contained in document IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1;

(c) Recommends to the General Conference that it appropriate on the basis of an exchange rate of US$1 = AS 12.90 a total amount of $178,440,900 for the regular budget of the Organization in 1992-1993 as follows:

	US dollars
Policy-making Organs	2,543,000
General Management	6,001,100
Programme and Project Development	32,387,000
Industrial Promotion, Consultations and Technology	16,895,500
Industrial Operations	34,569,800
Common Programmes	15,632,000
External Relations, Public Information, Language and Documentation Services	23,206,400
Administration	47,206,100
TOTAL GROSS APPROPRIATIONS	178,440,900 1/

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

(d) Recommends that the vacancy factor for Professional posts be adjusted and the appropriations revised accordingly in the event that any State announces its intention to join the Organization and is included in the scale of assessments for the fiscal period 1992-1993 adopted by the General Conference;

(e) Recommends that the foregoing appropriations be financed from:

(i) Payments of contributions by Member States, under the provision of financial regulation 5.5 (e), amounting to $176,690,300 at an exchange rate of US$1 = AS 12.90 ($19,435,900 plus the equivalent in US dollars of AS 2,028,581,760), in accordance with decisions to be adopted by the General Conference at its fourth session concerning the scale of assessments; and

(ii) Estimated miscellaneous income amounting to $1,750,600 at an exchange rate of US$1 = AS 12.90 (representing $1,325,400 plus the equivalent in US dollars of AS 5,485,080);

(f) Also recommends to the General Conference that it approve estimates of expenditure totalling $50,796,300 (calculated at the exchange rate of US$1 = AS 12.90) for the purpose of the operational budget for the biennium 1992-1993 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

1/ Assumes ratio of expenditures of 11 per cent in United States dollars and 89 per cent in Austrian schillings at an exchange rate of US$1 = AS 12.90, in accordance with financial regulation 5.1 (d). This ratio will also be applied to the appropriation for technical co-operation.

Budgetary estimates may be subject to revision owing to changes in inflation assumptions.

Adjustment formula in US dollars

	US$		AS
Policy-making Organs	443,000	+ (	27,090,000 /R)
General Management	746,000	+ (	67,491,500 /R)
Programme and Project Development	3,841,100	+ (	368,200,100 /R)
Industrial Promotion, Consultations and Technology	2,395,100	+ (	186,633,300 /R)
Industrial Operations	3,714,900	+ (	398,121,300 /R)
Common Programmes	2,538,200	+ (	168,577,900 /R)
External Relations, Public Information, Language and Documentation Services	2,335,200	+ (	267,118,900 /R)
Administration	3,422,400	+ (	545,348,760 /R)
TOTAL NET APPROPRIATIONS	19,435,900	+ (	2,028,581,760 /R)

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993.